

Fairfax County Economic Index

Volume V, Number 3

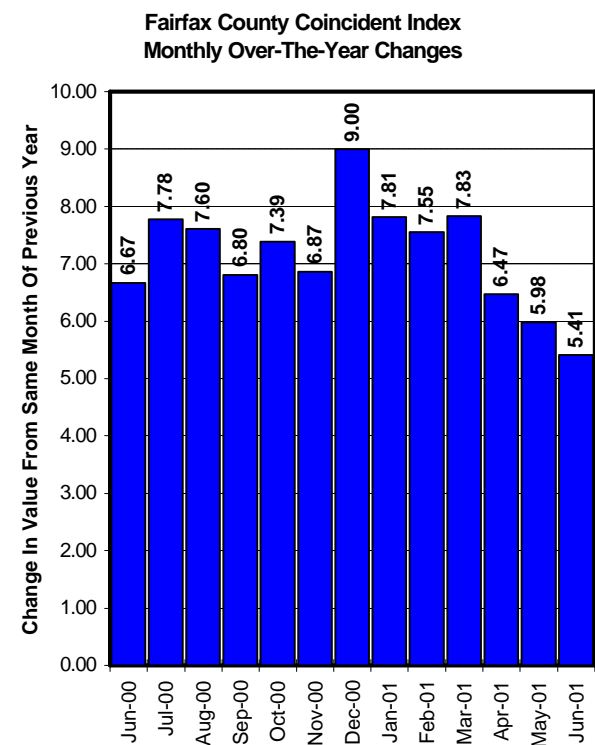
AUGUST 2001

June Indicators Pointing To Further Slowing In The County's Economy

The **Fairfax County Coincident Index**, which represents the current state of the County's economy, decreased to 133.2 in June for a decline of 0.38 percent. With June's decline, the Index has been down for three consecutive months and for four of the last five months. Since January, when the Index reached its peak, it has declined 2.1 percent. However, for the past 12 months, it is still up by 4.24 percent. In June, two of the Index's four components contributed to its decline.

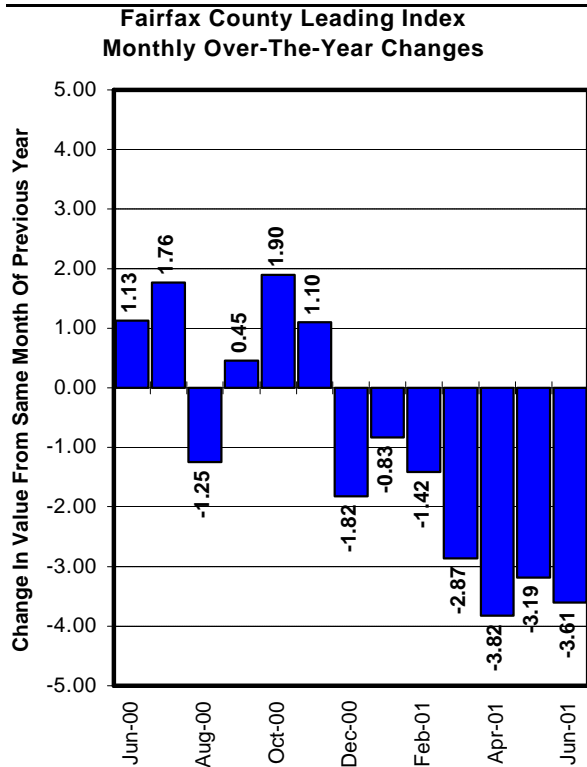
- Sales tax collections, adjusted for inflation and seasonal variation, declined in June and have now been down in two of the last three months; and,
- Transient occupancy tax collections, adjusted for inflation and seasonal variation, declined for the fifth consecutive month; while,
- Total employment increased for the 65th month in a row; and,
- Consumer confidence was up following six monthly decreases.

The **Fairfax County Leading Index**, which is designed to forecast the performance of the County's economy nine to twelve months in advance, decreased in June to 102.9 for a 0.18 percent decline. The Leading Index has now



Source: Center for Regional Analysis, George Mason University

been down in five of the year's first six months, losing a total of 4.1 percent. This downward trend in the Index has brought its value below its same-month level for each of the last seven months dating back to December 2000. In June, four of the Index's five components contributed to its decline.



Source: Center for Regional Analysis, George Mason University

- New automobile registrations fell in June, largely offsetting their gain in May, and have now been down in four of the last five months;
- Consumer expectations declined slightly in June after increasing sharply in May;
- Residential building permits declined for the fifth month in a row; and,
- The total value of residential building permits fell for the third time in four months; while,
- Initial claims for unemployment insurance declined (improved) following four monthly increases.

The Fairfax County economy began to show early signs of slowing in mid-2000 as the Leading Index fell below its historic trend line. Since that time, the Index has trended lower, pointing to more broad-based deceleration across other indicators during the second quarter. At mid-year, the performance of the County's economy has

converged with its long-term growth trend; that is, the economy is no longer outperforming its recent growth track. With the Leading Index continuing to fall well below its historic trend, it is likely that the economy's performance will continue to slow over the remainder of the year.

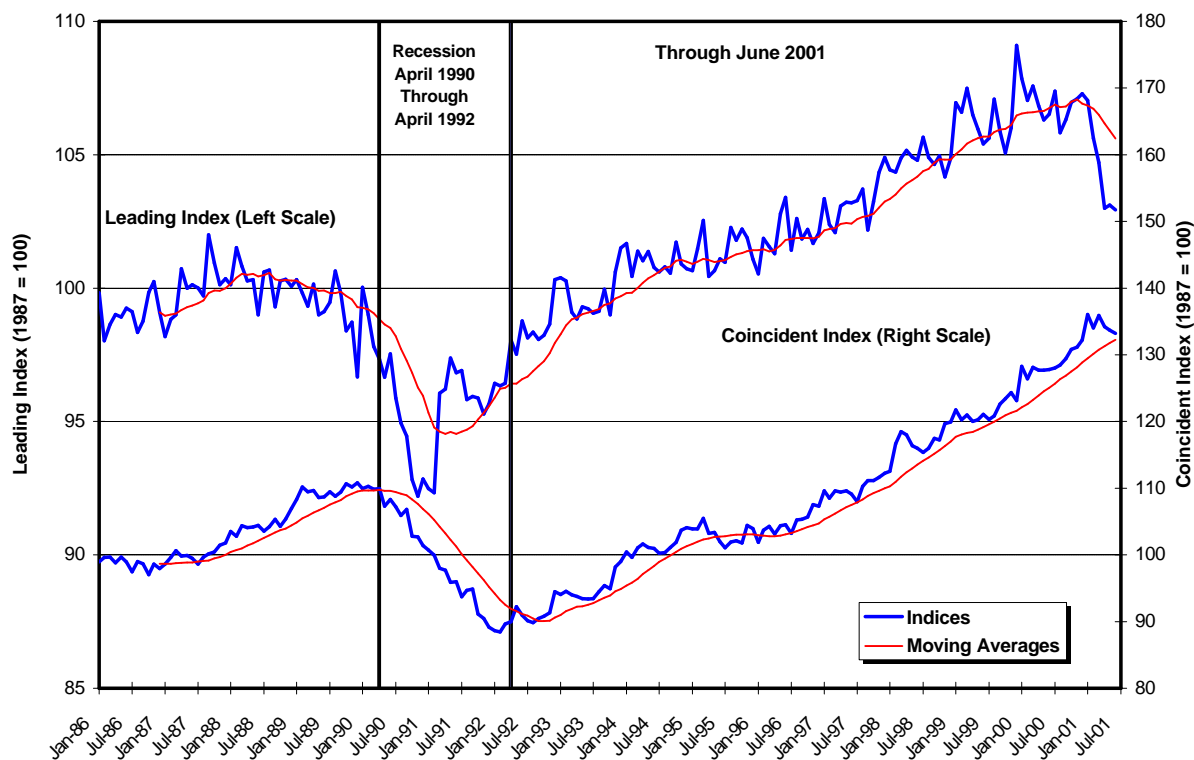
CURRENT CONDITIONS

The Fairfax County economy has slowed since the beginning of the year. However, it remains unusually robust. While this may appear contradictory, the fact is that the economy is slowing from a high rate of growth, with the result that slower growth will still compare favorably to the economic performance of most other jurisdictions. Additionally, the slowdown in the County's economy has not been uniform. Job growth remains as strong through the first half of 2001 as it was during last year. Between June 2000 and 2001, the County's employment base grew by 35,559 net new jobs for a 6.65 percent gain. This job growth has helped to strengthen Northern Virginia's dominant position in the metropolitan economy. While in 2000, Northern Virginia accounted for 56.2 percent of the metropolitan area's total job gain, it has accounted for 66.9 percent of the area's job gain during the June 2000 - June 2001 period.

The County's continuing strong job market has helped it absorb layoffs from technology companies and other firms experiencing contractions, thereby reducing the economic consequences of the slowdown being experienced nationally and internationally. Still, the labor market is not as tight as it has been. Unemployment increased to 1.6 percent in June from 1.0 percent a year ago. Still, this level of unemployment remains well below the 2.8 percent for the metropolitan area and the 4.5 percent nationally. Also, initial claims for unemployment insurance have been growing in Fairfax County as a result of increasing layoffs. Claims are up 180 percent from June 2000 but the numerical increase (1,008) remains small relative to the total size of the employment base. Still, this increase in unemployment and initial claims provides evidence of the recent shake out in the economy.

Consumer spending has not kept pace with

Business Cycle Indicators -- Fairfax County, Virginia



Source: Center for Regional Analysis, George Mason University

the County's strong job growth. The weakness on the consumer side of the economy is apparent in lower sales tax receipts (down 12.7 percent from June 2000) and lower new automobile sales (down 17.1 percent from June 2000). This decline in consumer spending reflects the downward trend in consumer confidence and not an actual reduction in buying power. Consumer confidence is expected to increase in coming months in response to the tax rebates approved by Congress in May and the reduction of interest rates by the Federal Reserve Board. As consumer confidence grows, consumer spending should also increase and help stabilize the economy's performance by the end of the year.

NEAR-TERM OUTLOOK

The Leading Index continues to project slower growth for the County's economy into next year. Even though the County's economy will continue to appear relatively healthy, the consequences of this trend towards slower growth over several more quarters will be seen in a higher

unemployment and slower job growth. And, until consumer confidence establishes an ongoing positive trend, consumer spending will lag and undercut the economy's inherent strength.

The national economy barely sustained its expansion over the second quarter registering a 0.7 percent growth rate. Revised forecasts for the remainder of the year have the national economy growing 1.8 percent by year's end with a growth target of 3.0 percent for 2002. The national leading index was positive in all three months of the second quarter, pointing to a turn around for the national economy during the second half. In contrast, the County's leading index has yet to move higher. This suggests that the County's economy will not turn up until after the national economy.

The key indicators to watch in coming months are consumer confidence and consumer spending as measured by sales tax receipts, and job growth and labor market conditions. These will determine how long the slowdown continues and the strength of the rebound.

Fairfax County, Virginia Economic Indicators Current and Previous Months

Economic Indicator	Estimates			Percent Change	
	Jun-01 Prelim.	May-01 Final	Jun-00 Final	May-01 to Jun-01	Jun-00 to Jun-01
Fairfax County Business Cycle Indicators					
Coincident Index (1987 = 100)	133.16	133.67	127.74	-0.38	4.24
Leading Index (1987 = 100)	102.92	103.11	106.53	-0.18	-3.39
Fairfax County Coincident Index Components					
Total Covered Employment (Seasonally Adjusted)	570,256	566,896	534,699	0.59	6.65
<i>Total Covered Employment (Unadjusted)</i>	<i>577,014</i>	<i>567,559</i>	<i>541,035</i>	<i>1.67</i>	<i>6.65</i>
Transient Occupancy Tax (\$'000='87, Smoothed, Seasonally Adjusted)	370	407	335	-9.12	10.60
<i>Transient Occupancy Tax (\$'000=Current, Smoothed Only)</i>	<i>626</i>	<i>608</i>	<i>546</i>	<i>2.95</i>	<i>14.57</i>
Sales Tax Receipts (\$'000='87, Seasonally Adjusted)	7,564	8,145	8,665	-7.13	-12.70
<i>Sales Tax Receipts (\$'000=Current, Unadjusted)</i>	<i>11,097</i>	<i>10,928</i>	<i>12,254</i>	<i>1.55</i>	<i>-9.44</i>
South Atlantic Consumer Confidence	163.2	159.9	185.2	2.06	-11.88
Fairfax County Leading Index Components					
New Automobile Registrations (Seasonally Adjusted)	5,295	6,252	6,388	-15.30	-17.11
<i>Automobile Registrations (Unadjusted)</i>	<i>5,964</i>	<i>6,901</i>	<i>7,195</i>	<i>-13.58</i>	<i>-17.11</i>
Initial Unemployment Claims (Seasonally Adjusted)	1,570	1,825	562	-13.99	179.55
<i>Initial Unemployment Claims (Unadjusted)</i>	<i>1,490</i>	<i>1,672</i>	<i>533</i>	<i>-10.89</i>	<i>179.55</i>
South Atlantic Consumer Expectations	96.4	96.5	116.3	-0.10	-17.11
Residential Building Permits (Number of Units, Seasonally Adjusted)	397	426	476	-6.86	-16.70
<i>Residential Building Permits (Number of Units, Unadjusted)</i>	<i>449</i>	<i>449</i>	<i>539</i>	<i>0.00</i>	<i>-16.70</i>
Residential Building Permit Value (\$'000='87, Seasonally Adjusted)	26,416	30,515	31,388	-13.43	-15.84
<i>Residential Building Permit Value (\$=Current, Unadjusted)</i>	<i>50,827</i>	<i>50,870</i>	<i>58,302</i>	<i>-0.08</i>	<i>-12.82</i>
Fairfax County Labor Force					
Total Labor Force (Seasonally Adjusted)	591,903	588,806	558,245	0.53	6.03
<i>Total Labor Force (Unadjusted)</i>	<i>601,043</i>	<i>591,149</i>	<i>566,865</i>	<i>1.67</i>	<i>6.03</i>
Unemployment Rate (Percent, Seasonally Adjusted)	1.60	1.72	1.05	--	--
<i>Unemployment Rate (Percent, Unadjusted)</i>	<i>1.96</i>	<i>1.74</i>	<i>1.59</i>	<i>--</i>	<i>--</i>

Notes: All components included in the indices are seasonally adjusted. In addition, those expressed in dollar value (Building Permit Value, Transient Occupancy Tax, and Sales Tax) are expressed in constant 1987 dollars. Initial Claims are inverted prior to inclusion in the Leading Index; that is, an increase in claims results in a decrease in the index and visa versa. Because of its quarterly collection schedule, the Transient Occupancy Tax is smoothed. Unadjusted data (*italics*) and Fairfax County Labor Force data are not included in either index, but are shown for informational purposes. All percent changes are calculated from unrounded data.

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We are on the web at:
**[www.co.fairfax.va.us/comm/
economic/economic.htm](http://www.co.fairfax.va.us/comm/economic/economic.htm)**

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